

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Beecher Metropolitan District	County Genesee
Fiscal Year End 6/30/07	Opinion Date 11/1/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

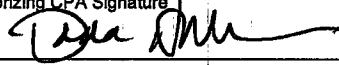
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Letter of significant deficiencies	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350	
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 	Printed Name Tadd Harburn	License Number 1101014134	

**Financial Report**  
**Beecher Metropolitan District**  
**Flint, Michigan**  
**June 30, 2007**

**Beecher Metropolitan District  
Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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*Independent Auditors' Report*

District Commission  
Beecher Metropolitan District  
1057 West Louis Avenue  
Flint, Michigan 48505

We have audited the accompanying basic financial statements of the Beecher Metropolitan District ("District") as of and for the years ended June 30, 2007 and June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Beecher Metropolitan District as of June 30, 2007 and June 30, 2006 and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and did not express an opinion on it.

*Plante & Moran, PLLC*

November 1, 2007

## **Management's Discussion and Analysis**

**Beecher Metropolitan District  
Management's Discussion and Analysis  
June 30, 2007**

As management of the Beecher Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District.

The basic financial statements for the District are comprised of the statement of net assets, statement of changes in net assets, statement of cash flows, and notes to the financial statements.

The proprietary fund statement of net assets presents the information of the water and sewer fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of changes in net assets presents information showing how the business-type fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the business-type fund financial statements.

**Financial Highlights**

The financial analysis focuses on the proprietary fund statement of net asset and the statement of activities. The total assets of the District are \$6,878,854 of which \$1,420,527 represents cash, cash equivalents, and investments, \$318,457 represent receivables, and \$4,816,558 represents capital assets net of accumulated depreciation. The current liabilities are \$422,473 leaving current net assets of \$6,456,381.

Net assets decreased \$32,449 for the District as a result of \$2,612,834 in operating expenses which are offset by operating revenues of \$2,112,216 and non-operating revenues of \$468,169. Charges for services of \$1,992,061 were generated from metered water sales and sewer service fees.

Net assets invested in capital assets amount to \$4,816,558 and net assets of \$20,050 are restricted for employee benefits, leaving unrestricted net assets of \$1,619,773.

Capital assets, net of accumulated depreciation, totaled \$4,816,558 at June 30, 2007. These assets are depreciated over various lives based on the type of asset. Accumulated depreciation to date is \$5,045,550

**Beecher Metropolitan District's  
Net Assets**

	<u>2007</u>	<u>2006</u>
Current and other assets	\$2,062,296	\$1,978,625
Capital assets	4,816,558	4,922,806
Total assets	<u>6,878,854</u>	<u>6,901,431</u>
Current liabilities	<u>422,473</u>	<u>412,601</u>
Net assets:		
Invested in capital assets	4,816,558	4,922,806
Restricted	20,050	18,098
Unrestricted	<u>1,619,773</u>	<u>1,547,926</u>
Total net assets	<u><u>\$6,456,381</u></u>	<u><u>\$6,488,830</u></u>

**Beecher Metropolitan District's  
Capital Assets - Net of Depreciation  
Business-type Activities**

	<u>2007</u>	<u>2006</u>
Land	\$ 13,599	\$ 13,599
Buildings and improvements	15,460	12,071
Machinery and equipment	252,616	245,669
Improvement in water system	2,097,376	2,132,848
Improvement in sewer system	2,437,507	2,518,619
Total	<u>\$4,816,558</u>	<u>\$4,922,806</u>

Unrestricted net assets may serve over time as a useful indicator of financial position. In the case of the Beecher Metropolitan District, unrestricted net assets amounted to \$1,619,773 or 25% of total net assets and 62% of annual operating expenses.

By far the largest portion of the District's net assets (75%) reflects its fixed investment in capital assets.

Current and other assets increased \$83,671 from prior year as increased user rates and increased non-operating interest revenues helped reduce an overall decrease in net assets. Capital assets decreased \$106,248 primarily due to annual depreciation. Liabilities increased \$9,872 due to an increase in accounts payable for vendor payables.

**Beecher Metropolitan District's  
Changes in Net Assets  
Business-type Activities**

	<u>2007</u>	<u>2006</u>
Revenues		
Operating revenues:		
Charges for services	\$1,992,061	\$1,649,826
Other income	120,155	101,452
Non-operating revenue:		
Tax revenues	322,888	330,981
Rental and interest income	145,281	96,754
Total revenues	<u>2,580,385</u>	<u>2,179,013</u>
Expenses:		
Operating	<u>2,612,834</u>	<u>2,535,250</u>
Decrease in net assets	(32,449)	(356,237)
Net Assets - Beginning of the year	<u>6,488,830</u>	<u>6,845,067</u>
Net Assets - End of the year	<u>\$6,456,381</u>	<u>\$6,488,830</u>

Charges for services increased \$342,235 as a result of the full year effect of increased user rates for metered water sales and sewer service fees. Water sales increased \$95,086 and sewer service fees increased \$247,149. Tax revenue decreased \$8,093 reflecting a drop in relative property values within the District.

The District experienced a significant decrease in net assets in 2006 due to a costly sewer tile initiative and a billing structure that did not fully recover costs of providing services. The sewer tile initiative was a major sump pump installation project throughout the District. The billing structure was addressed in fiscal year 2006 when the District approved rate increases as of February 2006. Continued monitoring of the financial condition will be done by management.

## **Basic Financial Statements**



**Beecher Metropolitan District  
Statement of Net Assets  
June 30, 2007 and 2006**

	2007	2006
<b>Assets</b>		
Cash and cash equivalents	\$ 570,527	\$ 488,908
Investments	850,000	852,849
Receivables:		
Accounts	210,231	216,776
Unbilled accounts	77,925	68,017
Interest	8,515	-
Delinquent property taxes receivable	21,786	22,283
Inventories	81,798	93,864
Restricted assets:		
Cash and cash equivalents	241,514	235,928
Total current assets	2,062,296	1,978,625
Capital assets - net of accumulated depreciation	4,816,558	4,922,806
Total assets	6,878,854	6,901,431
<b>Liabilities</b>		
Accounts payable	82,145	47,304
Due to other governments	118,864	147,467
Payable from restricted assets:		
Customer deposits	221,464	217,830
Total current liabilities	422,473	412,601
<b>Net Assets</b>		
Invested in capital assets, net of related debt	4,816,558	4,922,806
Restricted for employee benefits	20,050	18,098
Unrestricted	1,619,773	1,547,926
Total net assets	<u><u>\$ 6,456,381</u></u>	<u><u>\$ 6,488,830</u></u>

*The notes to financial statements are an integral part of this statement.*

**Beecher Metropolitan District**  
**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Years Ended June 30, 2007 and 2006**

	2007	2006
<b>Operating Revenue</b>		
Charges for services:		
Metered water sales	\$ 585,123	\$ 490,037
Sewer service fees	1,406,938	1,159,789
Parts and service	49,651	34,374
Penalties	70,504	67,078
Total operating revenue	2,112,216	1,751,278
<b>Operating Expenses</b>		
Administrative and engineering	994,460	985,251
Accounting and collections	22,267	13,066
Plant maintenance - sewer	105,300	89,575
Plant maintenance - mains, tower & connections	171,546	170,895
Machinery and equipment maintenance	6,899	4,418
Water pumping - wells, distribution	125,574	140,807
Sanitary sewer line maintenance	18,809	20,641
Sanitary sewer weep tile project	2,550	36,695
Sewage pumping	80,450	58,625
Sewage treatment	884,921	811,517
Tools and working equipment expense	11,307	4,125
Automobile and truck expense	23,045	30,992
Depreciation	165,706	168,643
Total operating expenses	2,612,834	2,535,250
<b>Operating Loss</b>	(500,618)	(783,972)
<b>Nonoperating Revenue</b>		
Tax revenues	322,888	330,981
Rental income	39,600	63,000
Interest income	105,681	33,754
Total nonoperating revenue	468,169	427,735
<b>Change in Net Assets</b>	(32,449)	(356,237)
<b>Net Assets - Beginning of year</b>	6,488,830	6,845,067
<b>Net Assets - End of year</b>	<u><u>\$ 6,456,381</u></u>	<u><u>\$ 6,488,830</u></u>

*The notes to financial statements are an integral part of this statement.*

**Beecher Metropolitan District  
Statements of Cash Flows  
Years Ended June 30, 2007 and 2006**

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 2,108,853	\$ 1,795,387
Payments to suppliers	(1,642,554)	(1,531,241)
Payments to employees	(782,636)	(782,752)
Net cash used in operating activities	(316,337)	(518,606)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(59,458)	(7,720)
Net cash used in capital and related financing activities	(59,458)	(7,720)
<b>Cash Flows from Noncapital Financing Activities</b>		
Receipts from rentals	39,600	63,000
Property tax collections	323,385	370,640
Net cash provided by noncapital financing activities	362,985	433,640
<b>Cash Flows from Investing Activities</b>		
Interest earned	97,166	47,319
Purchases (sales) of investments	2,849	147,151
Net cash provided by investing activities	100,015	194,470
<b>Net increase in Cash and Cash Equivalents</b>	87,205	101,784
<b>Cash and Cash Equivalents - Beginning of year</b>	724,836	623,052
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 812,041</b>	<b>\$ 724,836</b>
(includes restricted cash and cash equivalents of \$241,514 and \$235,928 for 2007 and 2006, respectively)		
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (500,618)	\$ (783,972)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	165,706	168,643
Changes in operating assets and liabilities:		
Accounts receivable	(3,363)	44,109
Inventories	12,066	(5,898)
Accounts payable	34,841	28,344
Accrued liabilities	-	(116)
Due to other governments	(28,603)	29,483
Customer deposits	3,634	801
Net cash used in operating activities	<b>\$ (316,337)</b>	<b>\$ (518,606)</b>

*The notes to financial statements are an integral part of this statement.*

## **Notes to Basic Financial Statements**

**Beecher Metropolitan District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2007**

**I. Summary of significant accounting policies**

The accounting policies of Beecher Metropolitan District, (the “District”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Beecher Metropolitan District:

**A. Reporting entity**

Beecher Metropolitan District is governed by an elected five-member board. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District had no component units at June 30, 2007.

**B. Basis of accounting**

The accrual basis of accounting is used by the District. The District follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989. The District has elected not to follow private sector standards issued after November 30, 1989.

**C. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**D. Operating revenue**

Amounts reported as operating revenue include: (1) changes to customers or applicants for goods, services, or privileges provides; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as non-operating revenue rather than as operating revenue. Likewise, non-operating revenue includes all taxes.

**E. Property tax revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28 of the following year, at which time penalties and interest are assessed.

The District’s 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are available for the financing of operations.

**Beecher Metropolitan District  
Notes to Financial Statements  
For the Year Ended June 30, 2007**

**I. Summary of significant accounting policies – (continued)**

**E. Property tax revenue – (continued)**

The Metropolitan District is permitted by charter to levy up to \$5 per \$1,000 (5 mills) of Taxable Value for general government services, upon real and personal property in their district in the Townships of Genesee and Mt. Morris. For the year ended June 30, 2007, the Beecher Metropolitan District levied 3.5614 mills. These amounts are recognized in the respective water and sewer fund financial statements as tax revenue.

	<u>Taxable Valuation</u>
Genesee Township	\$29,608,540
Mt. Morris Township	<u>66,768,411</u>
Total	<u>\$96,376,951</u>

**F. Assets, liabilities, and net assets or equity**

**1. Bank deposits and investments**

Cash and cash equivalents include cash on hand, demand deposits, and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**2. Receivables**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. All amounts are considered collectible at year end.

**3. Inventories**

Inventories consist of expendable supplies held for consumption and are valued at the lower of cost or market with cost determined on a first-in, first-out basis. The cost value is recorded as an asset until used, at which time it is recorded as an expense.

**4. Capital assets**

Capital assets consist of property, plant, equipment, and sewer and water line infrastructure assets. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, equipment and sewer and water line infrastructure assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Machinery and equipment	5-100
Water system	10-100
Sewer system	25-100

**Beecher Metropolitan District  
Notes to Financial Statements  
For the Year Ended June 30, 2007**

**I. Summary of significant accounting policies – (continued)**

**F. Assets, liabilities, and net assets or equity – (continued):**

**5. Restricted assets**

Restricted assets in the Water and Sewer Fund consists of cash and equivalents set aside for customer deposits and employee benefits.

**6. Compensated absences**

Accumulated unpaid vacation and sick pay are not accrued by Beecher Metropolitan District. Vacation time must be taken and is not allowed to accumulate. Sick and personal time is allowed for eight days per year and is not allowed to accrue.

**7. Net assets – Equity displayed in three components as follows:**

Invested in capital assets, net of related debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets. The District has no debt related to capital assets.

Restricted – This consists of net assets that are legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**II. Detail notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated Bank One for the deposit of its funds. The District has adopted an investment policy. The Authority's deposits are in accordance with statutory authority.

**Beecher Metropolitan District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2007**

**II. Detail notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

The Authority's cash and investments are subject to two different types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,655,108 of bank deposits (certificates of deposit and savings) that were uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**B. Capital assets**

Capital asset activity for the District was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,599	\$ -	\$ -	\$ 13,599
Total capital assets, not being depreciated	13,599	-	-	13,599
Capital assets, being depreciated:				
Buildings and improvements	225,412	4,485	-	229,897
Machinery and equipment	1,432,548	45,473	40,824	1,437,197
Water system	3,451,992	9,500	-	3,461,492
Sewer system	4,719,923	-	-	4,719,923
Total capital assets being depreciated	9,829,875	59,458	40,824	9,848,509
Less accumulated depreciation for:				
Buildings and improvements	213,341	1,096	-	214,437
Machinery and equipment	1,186,879	38,525	40,824	1,184,580
Water system	1,319,144	44,972	-	1,364,116
Sewer system	2,201,304	81,113	-	2,282,417
Total accumulated depreciation	4,920,668	165,706	40,824	5,045,550
Total capital assets, being depreciated, net	4,909,207	(106,248)	-	4,802,959
Business-type activities capital assets, net	<u>\$4,922,806</u>	<u>\$(106,248)</u>	<u>\$ -0-</u>	<u>\$4,816,558</u>



**Beecher Metropolitan District  
Notes to Financial Statements  
For the Year Ended June 30, 2007**

**II. Detail notes on all funds – (continued)**

**B. Capital assets – (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:	
Water and sewer	<u>\$165,706</u>

**III. Other information**

**A. Retirement plans**

**1. Defined benefit pension plan**

*Plan Description.* The District participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the District, except employees hired after January 1, 2004. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

*Funding policy.* The obligation to contribute to and maintain the system for these employees was established by negotiation with the District's collective bargaining units and requires employee contributions of 2 percent of gross wages.

*Annual Pension Cost.* For year ended June 30, 2007 the District's annual pension cost of \$122,992 for the plan was equal to the District's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases. Both (a) and (b) include an inflation component of 3 to 4%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 24 years for general employee group and 29 years for general administration.

*Three year trend information.*

	Fiscal year ended June 30:		
	2005	2006	2007
Annual pension cost	106,748	120,231	122,992
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
	Actuarial Valuation as of December 31:		
	2004	2005	2006
Actuarial value of assets	\$3,568,523	\$3,778,827	\$4,065,240
Actuarial Accrued Liability (entry age)	4,423,991	4,451,788	4,707,864
Unfunded AAL	855,468	672,961	642,624
Funded ratio	81%	85%	86%
Covered payroll	692,766	659,121	666,127
UAAL as a percentage of covered payroll	123%	102%	96%

**Beecher Metropolitan District  
Notes to Financial Statements  
For the Year Ended June 30, 2007**

**I. Other information – (continued)**

**A. Retirement plans – (continued)**

**2. Deferred compensation plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The law was changed to allow trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. The District's plan administrator, ICMA created the trust and placed the assets of the Plan within the trust. As a result, the Plan assets are not shown on the District's financial statements to reflect that the District no longer has any fiduciary or administrative responsibility for the Plan.

**3. Defined contribution plan**

The District provides pension benefits to all of its full-time employees hired after January 1, 2004 a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provisions and contribution requirements were established through a collective bargaining agreement. Employees are eligible to participate from the date of employment and are fully vested after 6 years of service. The District contributes 10 percent of employees' gross earnings and employees are required to contribute 2% of annual earnings.

During the current year, the District contributed \$7,469 and employees contributed \$1,337 to the plan.

**B. Other Post-employment Benefits**

The District has elected to provide post-employment health benefits to certain retirees and their beneficiaries. The government pays the full cost of coverage for these benefits. Currently, 6 retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2007, the District made payments for post-employment health benefit premiums of \$70,872. The government obtains health care coverage through private insurers for medical and is self insured for vision and dental.

Upcoming reporting change: The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

**C. Risk management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries ( workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors, and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Beecher Metropolitan District  
Notes to Financial Statements  
For the Year Ended June 30, 2007**

**I. Other information – (continued)**

**C. Risk management – (continued)**

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

November 1, 2007

To Members of the Commission  
Beecher Metropolitan District  
Flint, Michigan

Dear Members of the Commission:

In planning and performing our audit of the financial statements of Beecher Metropolitan District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### **Lack of Segregation of Duties**

Because of the small size of the District's staff, one person has complete responsibility for the processing of financial information. This arrangement causes a lack of what is termed "segregation of duties". When segregation of duties is present in an internal control system, there are processes whereby the work of one individual is reviewed or checked by another. The following are some of the controls required to achieve adequate segregation of duties:

- Do not permit any one employee to handle a transaction from beginning to end.
- Separate all cash handling from recordkeeping.
- Separate the cash receipt function from the cash disbursement function.

Because of the small size of the District's staff, it may not be practical or cost effective to put all or any of the above controls in place. We would also like to note that the District does have the following compensating controls in place:

- Bank statements are delivered to the Administrator unopened and reviewed before given to the accountant to prepare the bank reconciliation.
- All checks issued are reviewed by the Administrator.

### **Significant Audit Adjustments**

Significant audit adjustments were proposed that may not have been detected except through the auditing procedures we performed. The adjustments related to the following items:

- Correcting a debit balance in accounts payable
- Correcting credit balances in property tax receivables
- Adjusting recorded depreciation expense to actual and recording additions and disposals
- Recording property tax revenue
- Posting of prior year adjusting entries
- Adjusting pension payable

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the items noted above relating to significant audit adjustments is also considered to be a material weakness.

### **Other Matters**

We noted the following items that we feel the District should consider implementing to become a stronger organization:

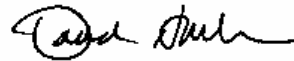
- Wire transfer policy – We recommend that the District adopts a formal wire transfer policy detailing the policies and procedures for all wire transfers to ensure appropriate segregation of duties.
- Customer deposits liability – We recommend that the District research the abandoned customer deposits liability at year end. The balance has not changed for several years.

- Actuarial report for Post-employment Benefits- As mentioned in the Notes to the Financial Statements, there is a new financial reporting change that will be effective for the year ended June 30, 2010 relative to the requirement to record a liability for any underfunding of the required annual contribution (as determined by an actuary) for post-employment benefits. We recommend that the District plan to obtain an actuarial valuation by the end of June 30, 2008 in order to plan for the impact, if any, on the District's budget in future years as well as obtain the information required for disclosure in the annual financial statements.

This communication is intended solely for the information and use of management, the Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, CPA